



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Notice of Intent to Adopt Regulations

In accordance with section 4-168(a) of the Connecticut General Statutes, notice is hereby given that the Insurance Commissioner, pursuant to the authority of section 38a-78 of the Connecticut General Statutes, as amended by Public Act No. 05-162, proposes to adopt a regulation to recognize and permit the use of preferred mortality tables for use in Connecticut by life insurers.

### **Recognition of Preferred Mortality Tables for Use in Determining Minimum Reserve Liabilities**

Section 1. The Regulations of Connecticut State Agencies are amended by adding sections 38a-78-31 to 38a-78-35, inclusive, as follows:

#### **(NEW) Sec. 38a-78-31. Purpose**

The purpose of sections 38a-78-31 to 38a-78-36, inclusive, of the Regulations of Connecticut State Agencies is to recognize, permit and prescribe the use of mortality tables that reflect differences in mortality between Preferred and Standard lives in determining minimum reserve liabilities in accordance with the Standard Valuation Law, subsection (d) of section 38a-78 of the Connecticut General Statutes.

#### **(NEW) Sec. 38a-78-32. Definitions**

As used in sections 38a-78-31 to 38a-78-36, inclusive, of the Regulations of Connecticut State Agencies:

- (1) "2001 CSO Mortality Table" means that mortality table, consisting of separate rates of mortality for male and female lives, developed by the American Academy of Actuaries CSO Task Force from the Valuation Basic Mortality Table developed by the Society of Actuaries Individual Life Insurance Valuation Mortality Task Force, proposed to the National Association of Insurance Commissioners' Life and Health Actuarial Task Force at its June 2002 meeting and adopted by the National Association of Insurance Commissioners in December 2002. The 2001 CSO Mortality Table is included in the Proceedings of the NAIC (2nd Quarter 2002) and supplemented by the 2001 CSO Preferred Class Structure Mortality Table. Unless the context indicates otherwise, the "2001 CSO Mortality Table" includes both the ultimate form of that table and the select and ultimate form of that table and includes both the smoker and nonsmoker mortality tables and the composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality tables. Mortality tables in the 2001 CSO Mortality Table include the following:

- (a) 2001 CSO Mortality Table (F);
  - (b) 2001 CSO Mortality Table (M);
  - (c) Composite mortality tables; and
  - (d) Smoker and nonsmoker mortality tables.
- (2) "2001 CSO Mortality Table (F)" means that mortality table consisting of the rates of mortality for female lives from the 2001 CSO Mortality Table.
  - (3) "2001 CSO Mortality Table (M)" means that mortality table consisting of the rates of mortality for male lives from the 2001 CSO Mortality Table.
  - (4) "Composite mortality tables" means mortality tables with rates of mortality that do not distinguish between smokers and nonsmokers.
  - (5) "Smoker and nonsmoker mortality tables" means mortality tables with separate rates of mortality for smokers and nonsmokers.
  - (6) "2001 CSO Preferred Class Structure Mortality Table" means mortality tables with separate rates of mortality for Super Preferred Nonsmokers, Preferred Nonsmokers, Residual Standard Nonsmokers, Preferred Smokers, and Residual Standard Smokers splits of the 2001 CSO Nonsmoker and Smoker tables as described in the Tillinghast Report dated January 13, 2006 adopted by the NAIC at the June, 2006 meeting and published in the NAIC minutes for that meeting. Unless the context indicates otherwise, the "2001 CSO Preferred Class Structure Mortality Table" includes both the ultimate form of that table and the select and ultimate form of that table. It includes both the smoker and nonsmoker mortality tables. It includes both the male and female mortality tables and the gender composite mortality tables. It also includes both the age-nearest-birthday and age-last-birthday bases of the mortality table.
  - (7) "Statistical agent" means an entity with proven systems for protecting the confidentiality of individual insured and insurer information; demonstrated resources for and history of ongoing electronic communications and data transfer ensuring data integrity with insurers, which are its members or subscribers; and a history of and means for aggregation of data and accurate promulgation of the experience modifications in a timely manner.
  - (8) "Commissioner" means the Insurance Commissioner.
  - (9) "NAIC" means the National Association of Insurance Commissioners.

**(NEW) Sec. 38a-78-33. 2001 CSO Preferred Class Mortality Table**

At the election of the company, for each calendar year of issue, for any one or more specified plans of insurance and subject to satisfying the conditions stated in section 38a-78-34 of the

Regulations of Connecticut State Agencies, the 2001 CSO Preferred Class Structure Mortality Table may be substituted in place of the 2001 CSO Smoker or Nonsmoker Mortality Table as the minimum valuation standard for policies issued on or after January 1, 2007. No such election shall be made until the company demonstrates at least twenty percent of the business to be valued on this table is in one or more of the preferred classes. With respect to domestic life insurers only, written notice of election to comply with the provisions of this subsection on or after a specified date shall be filed with the commissioner. A table from the 2001 CSO Preferred Class Structure Mortality Table used in place of the 2001 CSO Mortality Table, pursuant to the requirements of this rule, will be treated as part of the 2001 CSO Mortality Table only for purposes of reserve valuation pursuant to the requirements of the NAIC model regulation, "Recognition of the 2001 CSO Mortality Table For Use In Determining Minimum Reserve Liabilities And Nonforfeiture Benefits Model Regulation."

**(NEW) Sec. 38a-78-34. Conditions**

- (a) For each plan of insurance with separate rates for Preferred and Standard Nonsmokers lives, an insurer may use the Super Preferred Nonsmokers, Preferred Nonsmokers, and Residual Standard Nonsmokers mortality tables to substitute for the Nonsmokers mortality tables found in the 2001 CSO Mortality Table to determine minimum reserves. At the election and annually thereafter, except for business valued under the Residual Standard Nonsmokers Mortality Table, the appointed actuary shall certify that:
  - (1) The present value of death benefits over the next ten years after the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class.
  - (2) The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the valuation basic table corresponding to the valuation table being used for that class.
- (b) For each plan of insurance with separate rates for Preferred and Standard Smokers lives, an insurer may use the Preferred Smokers and Residual Standard Smokers mortality tables to substitute for the Smoker mortality table found in the 2001 CSO Mortality Table to determine minimum reserves. At the time of election and annually thereafter, for business valued under the Preferred Smokers Mortality Table, the appointed actuary shall certify that:
  - (1) The present value of death benefits over the next ten years after the valuation date, using the anticipated mortality experience without recognition of mortality improvement beyond the valuation date for each class, is less than the present value of death benefits using the Preferred Smoker valuation basic table corresponding to the valuation table being used for that class.
  - (2) The present value of death benefits over the future life of the contracts, using anticipated mortality experience without recognition of mortality improvements beyond the valuation

date for each class, is less than the present value of death benefits using the Preferred Smoker valuation basic table.

- (c) Unless exempted by the Commissioner, every authorized insurer using the 2001 CSO Preferred Class Structure Mortality Table shall annually file with the Commissioner, with the NAIC, or with a statistical agent designated by the NAIC, and that which is acceptable to the Commissioner, statistical reports showing mortality and such other information as the Commissioner may deem necessary or expedient for the administration of the provisions of this regulation. The form of the reports shall be established by the Commissioner or the Commissioner may require the use of a form established by the NAIC or by a statistical agent designated by the NAIC, and that which is acceptable to the Commissioner.

**(NEW) Sec. 38a-78-35. Separability**

If any provision of sections 38a-78-31 to 38a-78-34, inclusive, of the Regulations of Connecticut State Agencies or its application to any person or circumstance is for any reason held to be invalid, the remainder of said sections and the application of the provision to other persons or circumstances shall not be affected.

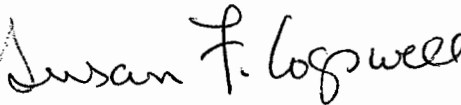
Sec. 2. Section 38a-78-28 of the Regulations of Connecticut State Agencies is amended to read as follows:

**Sec. 38a-78-28. 2001 CSO Mortality Table**

- (a) At the election of the company for any one or more specified plans of insurance and subject to the conditions stated in [Section] section 38a-78-29 of the Regulations of Connecticut State Agencies, the 2001 CSO Mortality Table may be used as the minimum standard for policies issued after [April 1, 2005] January 1, 2005 and before the date specified in subsection (b) of this section to which subsection (d) of section 38a-78 of the Connecticut General Statutes and subsection (e)(8)(C)(vi) of section 38a-439 of the Connecticut General Statutes are applicable. If the company elects to use the 2001 CSO Mortality Table, it shall do so for both valuation and nonforfeiture purposes. With respect to domestic life insurers only, written notice of election to comply with the provisions of this subsection on or after a specified date shall be filed with the commissioner.
- (b) Subject to the conditions stated in [Section] section 38a-78-29 of the Regulations of Connecticut State Agencies, the 2001 CSO Mortality Table shall be used in determining minimum standards for policies issued on and after January 1, 2009 to which subsection (d) of section 38a-78 of the Standard Valuation Law and subsection (e)(8)(C)(vi) of section 38a-439 of the Standard Nonforfeiture Law are applicable.

**Statement of Purpose:** (1) To recognize, permit and prescribe the use of mortality tables that reflect differences in mortality between Preferred and Standard lives in determining minimum reserve liabilities. (2) To revise the date reference in existing regulations pertaining to the use of the 2001 CSO Mortality Table for consistency with the provisions of Public Act No. 05-162 § 2.

All interested persons are invited to submit written data, views, or arguments in connection with the proposed action no later than November 24, 2006 to the State of Connecticut, Insurance Department, Attention: Jon Arsenault, Esq., P.O. Box 816, Hartford, CT 06142-0816.

A handwritten signature in black ink, reading "Susan F. Cogswell". The signature is fluid and cursive, with the first name "Susan" and last name "Cogswell" clearly legible, and the middle initial "F." in the middle.

Susan F. Cogswell  
Insurance Commissioner

# **AGENCY FISCAL ESTIMATE OF PROPOSED REGULATION**

**AGENCY SUBMITTING REGULATION** Insurance Department    **DATE** September 19, 2006

**SUBJECT MATTER OF REGULATION** Recognition of Preferred Mortality Tables

**REGULATION SECTION NO.** §§38a-78-31 to -35    **STATUTORY AUTHORITY** §38a-78

**OTHER AGENCIES AFFECTED** NONE

**EFFECTIVE DATE USED IN COST ESTIMATE** September 20, 2006

**ESTIMATE PREPARED BY** Jon Arsenaault    **TELEPHONE**

## **SUMMARY OF STATE COST AND REVENUE IMPACT OF PROPOSED REGULATION**

**Agency** Insurance Department    **Fund Affected** None

	FIRST YEAR 2007	SECOND YEAR 2008	FULL OPERATION 2007
Number of Positions	0	0	0
Personal Services	0	0	0
Other Expenses	0	0	0
Equipment	0	0	0
Grants	0	0	0
Total State Cost (Savings)	0	0	0
Estimated Revenue Gain (Loss)	0	0	0
Total Net State Cost (Savings)	0	0	0

**EXPLANATION OF STATE IMPACT OF REGULATION:** N/A

**EXPLANATION OF MUNICIPAL IMPACT OF REGULATION:** N/A